

## Message Text

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PAGE 01 BERLIN 06478 01 OF 02 181727Z  
ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

SIL-01 LAB-04 TRSE-00 HEW-04 /036 W  
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R 181250Z JUL 77  
FM AMEMBASSY BERLIN  
TO SECSTATE WASHDC 5200  
INFO AMEMBASSY BONN  
AMEMBASSY STOCKHOLM  
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LIMITED OFFICIAL USE SECTION 1 OF 2 BERLIN 6478

E.O. 11652: N/A

TAGS: ECON, ETRD, ECRE, EENT, GE  
SUBJ: BEWT STUDY OF ON-SITE PERSONNEL PROBLEMS OF U.S. FIRMS IN  
THE GDR

REF: STATE 127591 (NOTAL)

SUMMARY: THIS TELEGRAM RESPONDS TO BEWT'S REQUEST FOR INFORMATION ON THE EXPERIENCE OF FOREIGN FIRMS ON-SITE IN EAST EUROPE. IT RESPONDS TO BEWT'S QUESTIONNAIRE ON THE BASIS OF INFORMATION PROVIDED TO THE EMBASSY BY SIAB, A SWEDISH CONSTRUCTION FIRM. END SUMMARY.

1. TO EMBASSY'S KNOWLEDGE NO US COMPANIES HAVE SENT PERSONNEL TO ON-SITE LOCATIONS IN EAST GERMANY. FOREIGN FIRMS HAVE, HOWEVER, HAD THIS EXPERIENCE. THE SWEDISH CONSTRUCTION FIRM SIAB HAS CONSTRUCTED THE METROPOLE OTEL IN EAST BERLIN AND IS CURRENTLY BUILDING ANOTHER HOTEL, TO BE FOLLOWED BY CONSTRUCTION OF A DEPARTMENT STORE. FOLLOWING RESPONSES TO BEWT QUESTIONNAIRE ARE BASED ON INTERVIEW WITH SIAB.

2. INTRODUCTION: CONTRACT FOR CONSTRUCTION OF  
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PAGE 02 BERLIN 06478 01 OF 02 181727Z

METROPOLE HOTEL WAS WORTH APPROXIMATELY \$34 MILLION. VALUE OF NEW HOTEL PROJECT WAS PUT AT ABOUT \$58 MILLION, AND DEPARTMENT STORE ABOUT THE SAME. EAST GERMAN CONTRACTING PARTY IS AUFBAULEITUNG SONDERVORHABEN BERLIN. SIAB HAD 400 WORKMEN EMPLOYED ON PROJECT. WORKERS ARE CONTRACTED IN STOCKHOLM FOR A MINIMUM OF ONE YEAR, WITH COMPANY RESERVING THE RIGHT TO TERMINATE EMPLOYMENT

FOR CAUSE. CONSTRUCTION PROJECTS ARE IN EAST BERLIN. WORKERS ARE CARRYING OUT ALL PHASES OF CONSTRUCTION EXCEPT THOSE SUBCONTRACTED TO OTHER WESTERN AND GDR FIRMS. CONTRACT GIVES SIAB FULL AUTHORITY OVER ITS PERSONNEL, AND REGULATES TAX, TRAVEL, AND OTHER ASPECTS OF PERSONNEL'S STAY TO BE DISCUSSED BELOW, IN A GENERALLY SATISFACTORY FASHION. GDR FOREIGN TRADE ORGANIZATION KONTAKTA HAS ASSIGNED A LIAISON OFFICER TO HANDLE QUESTIONS PRESENTED BY SIAB'S GENERAL SERVICES/LIAISON OFFICER. WE ASSUME SIAB'S LIAISON OFFICER IS COMPETENT IN GERMAN.

3. ACCOMMODATIONS AND MEALS: SWEDES ARE SATISFIED WITH EAST GERMAN COMPLIANCE WITH CONTRACT PROVISIONS WHICH PROVIDE FOR HOUSING AND MEALS FOR SIAB PERSONNEL. HOUSING SURVEYED BY EMBOFF IS IN NEW, SOMEWHAT AUSTERE' BUT ADEQUATE HIGH-RISE EAST BERLIN. WORK-MEN ARE ACCOMMODATED THREE TO A TWO ROOM, AND FIVE TO A FOUR ROOM APARTMENT, WITH MORE CAPACIOUS QUARTERS PROVIDED FOREMEN. APARTMENTS ARE FURNISHED AND HAVE KITCHENS. TV AND RADIOS ARE NOT PROVIDED. EAST GERMANS PROVIDE BEDLINEN, WHILE TENANTS ARE RESPONSIBLE FOR HOUSEKEEPING. WORKMEN TAKE THEIR MEALS ON THE WORKSITE IN BARRACKS DINING ROOMS BUILT BY SIAB. FOOD CONSISTS OF BREAKFAST AT 7 AM, SECOND BREAKFAST AT 9 AM, BIG LUNCH AT NOON, AND BIG DINNER AT 5 PM. FOOD IS COOKED ELSEWHERE BY LIMITED OFFICIAL USE

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PAGE 03 BERLIN 06478 01 OF 02 181727Z

EAST GERMANS, BROUGHT TO THE SITE AND SERVED. SUPPLEMENTARY FOOD ITEMS ARE AVAILABLE IN WEST BERLIN AND IN EAST BERLIN IN LOCAL STORES AND IN HARD CURRENCY STORES. SIAB HAS NOT HAD CUSTOMS PROBLEMS IN RESPECT TO FOOD.

4. SALARY AND PER DIEM: SALARIES ARE PAID BY SIAB IN CROWNS TO ACCOUNTS IN SWEDEN. SALARIES ARE NOT SUBJECT TO GDR TAXES. WORKERS RECEIVE IN ADDITION 50 EAST MARKS WEEKLY POCKET MONEY. SIAB PAYS TRANSPORTATION BETWEEN SWEDEN AND THE WORKSITE AND MAKES TRAVEL ARRANGEMENTS FOR ITS PERSONNEL, USUALLY BY TRAIN.

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PAGE 01 BERLIN 06478 02 OF 02 181734Z

ACTION COME-00

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LIMITED OFFICIAL USE SECTION 2 OF 2 BERLIN 6478

5. MEDICAL AND DENTAL CARE: MEDICAL AND DENTAL CARE IS PROVIDED BY EAST GERMANS AGAINST PAYMENT BY SIAB. ALL PERSONNEL ARE DOCUMENTED WITH 6-MONTH MULTIPLE EXIT-ENTRY VISAS, AND THERE HAVE BEEN NO PROBLEMS IN RESPECT TO PERSONNEL BEING ABLE TO LEAVE THE COUNTRY AT WILL.

6. LEISURE ACTIVITIES: PERSONNEL HAVE ACCESS TO FULL RANGE OF PUBLIC CULTURAL ACTIVITIES, TENNIS COURTS AND OTHER SPORTS FACILITIES. SIAB ORGANIZES ITS OWN ACTIVITIES, INCLUDING BOAT TRIPS, AND OTHER EXCURSIONS. SOCIALIZING WITH LOCAL POPULATION HAS BEEN VERY EXTENSIVE, WITH GDR AUTHORITIES HAVING RAISED NO OBJECTIONS TO SIAB WORKMEN MOVING IN WITH EAST GERMAN GIRLFRIENDS. A NUMBER OF PREGNANCIES AMONG GIRLFRIENDS HAVE CAUSED NO UNUSUAL DIFFICULTIES; AND FOUR OR FIVE MARRIAGES HAVE TAKEN PLACE, WITH GDR WIVES RECEIVING EXIT PERMISSION IN 7-8 MONTHS.

7. COMMUNICATIONS AND CUSTOMS: SIAB HAS TELEPHONE AND TELEX ON THE CONSTRUCTION SITE. MAIL IS DEPENDABLE, BUT VERY SLOW, WITH AN ORDINARY LETTER TAKING 14 DAYS TO THREE WEEKS TO MAKE THE TRIP FROM STOCKHOLM TO BERLIN.

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PAGE 02 BERLIN 06478 02 OF 02 181734Z

CUSTOMS MATTERS AND IMPORT RESTRICTIONS ARE AN IRRITATION TO THE SWedes. IMPORTATION OF NEWSPAPERS AND MAGAZINES OF ALL KINDS IS FORBIDDEN, AS ARE IMPORTS OF PHONOGRAPH RECORDS AND CASSETTE RECORDINGS. THIS IRRITATES THE SWedes, WHO FAILED TO GET PROVISIONS TO THE CONTRARY IN THEIR CONTRACT, AND WHOSE MINISTRY OF INDUSTRY HAS RAISED THE QUESTION TO NO AVAIL WITH GDR COUNTERPARTS. (THE ITALIANS, NOW WITH 40 WORKERS IN MAGDEBURG FOR THE DANIELLI STAINLESS STEEL PROJECT, ARE DISMAYED THAT THE GDR WILL NOT ALLOW THEM TO IMPORT AND SHOW MOVIES).

ALMOST ALL THE SIAB WORKMEN HAVE PERSONAL AUTOS, SOME OF WHICH ARE REGISTERED IN THE GDR.

8. WORKING CONDITIONS AND R & R: THE WORK SCHEDULE, WHICH IS EXCLUSIVELY UNDER SIAB'S CONTROL, PROVIDES FOR FIVE 48-HOUR WEEKS FOLLOWING BY TRANSPORTATION OF THE WORKMEN AT SIAB'S EXPENSE TO AND FROM SWEDEN FOR A WEEK OFF. WORK IS PERFORMED SIX DAYS A WEEK, ON SATURDAYS UNTIL NOON, WITH SUNDAY FREE. UTILIZATION AND RESPONSIBILITIES OF OTHER WORKERS ARE THE PREROGATIVE OF SUB-CONTRACTING FIRMS. OWING TO LOCATION AND FORM OF ORGANIZATION OF THE PROJECT, WORKING CONDITIONS WERE VERY SIMILAR TO CONDITIONS ON A SIMILAR PROJECT IN WESTERN EUROPE. LANGUAGE QUESTIONS ARE HANDLED BY GERMAN-SPEAKING SWedes.

9. TRAVEL: PERSONNEL ARE ABLE TO TRAVEL FREELY THROUGH-OUT THE GDR IN THEIR LEISURE TIME.

10. DEPENDENTS: SENIOR MEMBERS OF SIAB'S COMPLEMENT ARE ACCCOMPANIED BY FAMILY MEMBERS, WITH SUITABLE ACCOMMODATIONS HAVING BEEN MADE AVAILABLE. BECAUSE THE CONTRACT DOES NOT CONTEMPLATE HOUSING FOR WORKMEN'S LIMITED OFFICIAL USE

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PAGE 03      BERLIN 06478 02 OF 02 181734Z

DEPENDENTS, SIAB DISCOURAGES OR PROHIBITS ITS WORKMEN FROM BRINGING FAMILY MEMBERS TO RESIDE IN EAST BERLIN.

11. CONCLUSION: SENIOR SWEDISH FOREMAN TOLD EMBOFF THAT COMPANY'S RELATIONS WITH GDR ARE VERY GOOD, AND THAT WHILE THERE ARE CONTINUING DIFFERENCES OF VIEW, THERE HAVE BEEN NO MAJOR CONFLICTS, OR ISSUES THAT HAVE NOT BEEN RESOLVED THROUGH NEGOTIATIONS. POLANSKY

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009